

Message Text

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61

ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-01

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 EB-07 COME-00 AID-05 TRSE-00 OMB-01 NIC-01

AGR-05 INT-05 FEA-01 STR-01 /091 W

----- 056199

R 261255Z FEB 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 400

INFO AMEMBASSY BONN

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMEMBASSY SOFIA

AMEMBASSY WARSAW

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E.O. 11652: NA

TAGS: ETRD, EINV, EALR, PFOR, IR, UR

SUBJ: IRAN/USSR ECONOMIC RELATIONS

REF: (A) TEHRAN 10832; (B) TEHRAN A-165; (C) TEHRAN A-159

1. SUMMARY: PROBABLY EXAGGERATED PRESS ACCOUNTS OF OLD AND NEW DEALS BETWEEN IRAN AND THE USSR APPEARED FOLLOWING ECONOMIC AFFAIRS AND FINANCE MINISTER'S VISIT TO MOSCOW FOR MEETING OF JOINT ECONOMIC COMMISSION. IRAN MAY PROVIDE CREDIT FOR SOVIET PAPER MILL, "GOLD CLAUSE" WILL BE REMOVED FROM BILATERAL ACCOUNTING, AND RUSSIANS WILL PARTICIPATE IN A NUMBER OF NEW PROJECTS OR EXPANSION OF OLD ONES IN IRAN. END SUMMARY.

2. TEHRAN PRESS ON FEBRUARY 26 REPORTED THAT VISIT CONCLUKED THE PREVIOUS DAY OF DELEGATION TO MOSCOW LED BY MINISTER OF ECONOMIC AFFAIRS AND FINANCE HUSHANG ANSARY FOR JOINT ECONOMIC COMMISSION MEETING RESULTED IN LARGEST ECONOMIC AGREEMENT EVER REACEHD BETWEEN
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THE TWO COUNTRIES. MOST PROMINENTLY DISPLAYED WAS IRANIAN PLEDGE

TO PROVIDE FINANCING FOR SOVIET PAPER MILL. AMOUNT OF PROPOSED CREDIT WAS NOT REVEALED, HOWEVER, AND ANSARY WAS REPORTED TO HAVE STATED DETAILS REMAIN TO BE NEGOTIATED. IRAN WOULD BE REPAYED BY IMPORT OF PRODUCTS FROM THE PLANT, ACCORDING TO THE PRESS ACCOUNT.

3. OTHER JOINT PROJECTS REPORTED INCLUDE: (1) EXPANSION OF SOVIET-BUILT ISFAHAN STEEL MILL TO 8 MILLION METRIC TONS ANNUAL CAPACITY; (2) SOVIET CONSTRUCTION OF ELECTRIC POWER PLANTS WITH TOTAL OUTPUT OF 2,000 MW AT A COST OF ABOUT \$240 MILLION; (3) SOVIET CONSTRUCTION OF GRAIN SILOS WITH 300,000 METRIC TON CAPACITY TO COST \$70 MILLION; AND (4) EXPANSION OF THE RUSSIAN-BUILT ARAK MACHINE BUILDING PLANT FROM 30,000 TO 50,000 METRIC TONS ANNUAL CAPACITY.

4. PRESS SAID THE TWO SIDES HAD AGREED TO CHANGE THE METHOD OF ACCOUNTING FOR PAYMENTS UNDER THEIR BILATERAL TRADE AGREEMENT FROM MONETARY UNITS PEGGED TO THE VALUE OF GOLD TO VALUATION BASED ON A "BASKET OF CURRENCIES." ANSARY ALSO WAS REPORTED TO HAVE STATED THE TWO COUNTRIES ARE WORKING TOWARDS CONCLUDING A NEW FIVE-YEAR TRADE AGREEMENT WHICH WOULD CALL FOR TWO-WAY TRADE TOTALLING \$2.5 BILLION.

5. COMMENT: IRANIAN PRESS USUALLY TENDS TO EXAGGERATE EXTENT OF BILATERAL ECONOMIC DEALS WITH BOTH COMMUNIST AND WESTERN COUNTRIES. EMBASSY WILL REPORT ADDITIONAL INFORMATION WHEN OFFICIAL GOI PRESS RELEASE BECOMES AVAILABLE AND AFTER TALKS WITH MEMBERS OF ANSARY'S ENTOURAGE. FINANCING A PROJECT IN THE USSR WOULD FOLLOW GENERAL RECENT PATTERN OF MAKING CREDITS AVAILABLE TO OTHER EAST EUROPEAN COUNTRIES, BUT AS FAR AS EMBASSY IS AWARE NONE OF THESE CREDITS HAS BEEN EVEN PARTIALLY UTILIZED (REF A). EXPANSION TO 8 MILLION METRIC TONS OF ISFAHAN STEEL MILL, WHICH ONLY BEGAN PRODUCING IN 1973 AND STILL IS NOT UP TO 650,000 TON FIRST STAGE ANNUAL CAPACITY, WOULD TAKE AT LEAST A DECADE, IF PAST EXPERIENCE IS ANY GUIDE (REF B). RUSSIAN PARTICIPATION IN EXPANSION OF MACHINE BUILDING PLANT AT ARAK HAS BEEN UNDER NEGOTIATION FOR SOME TIME (REF C). REMOVAL OF "GOLD CLAUSE" FROM BILATERAL AGREEMENTS HAS LONG BEEN IRANIAN GOAL, WHICH ALREADY HAS BEEN ACCOMPLISHED WITH POLAND, CZECHOSLOVAKIA, AND HUNGARY (REF B).

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6. ABOVE CAVEATS NOTWITHSTANDING, SOMEWHAT CLOSER ECONOMIC RELATIONSHIP BETWEEN THE TWO NEAR NEIGHBORS SEEMS INEVITABLE AS IRANIAN ECONOMY CONTINUES TO EXPAND. MOREOVER, RUSSIANS UNDOUBTEDLY INSISTED ON EXPORTING MORE PLANT AND EQUIPMENT TO IRAN IN ORDER TO PAY FOR THEIR MORE EXPENSIVE IMPORTS OF IRANIAN NATURAL GAS. PRESS DID NOT MENTION LONG-MOOTED IRANIAN/SOVIET/WEST GERMAN NATURAL GAS DEAL INDICATING LITTLE OR NOT PROGRESS WAS LIKELY TO HAVE BEEN MADE TOWARDS A SETTLEMENT DURING ANSARY'S VISIT.

HELMS

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